

Chairman Bachus, Ranking Member Waters and Members of the Subcommittee,

Thank you for the opportunity to come here today to testify on behalf of H.R. 3424, the Community Choice in Real Estate Act. I introduced this bill on December 6th, 2001. It now has two-hundred-forty-five cosponsors, more than a majority of House Members.

The Gramm-Leach-Bliley Act specifically granted many new powers to federally chartered banks as a result of many years of debate. Real estate brokerage and management were not among them.

Gramm-Leach-Bliley passed the House by one vote. I can guarantee you that if real estate brokerage and management were included as permissible activities for federally chartered banks to engage in, the bill would have gone down to defeat in the House. I, for one, would not have voted for it. To the contrary, many of us were given assurances that real estate brokerage and property management were not at all considered to be anything but commercial activities, so we voted for the bill and moved on.

The Community Choice in Real Estate Act was made necessary once the banking interests decided to ask the Treasury Department for powers to become involved in real estate brokerage and management. These extraordinary new powers were requested before the ink on the Gramm-Leach-Bliley Act was dry. There were no changes in the marketplace, no technological advances, only the desire to expand the powers of the national banking interests. As we have seen with rising ATM fees and increased consolidation, expanding banks' powers and scope have not corresponded with increased customer satisfaction.

The average banker has a great relationship with the local real estate agent. They have a symbiotic relationship. But the community bank has largely disappeared, and our national banking system has become cold and impersonal, more focused on acquisition and market dominance than on customer needs. You only need to grab yourself a copy of American Banker to see this trend. For example, in a recent article titled "Shakeout Seen from Financing Decline" there are some very interesting observations from some very prominent members of the banking industry like: "We do quite well with our individual loan officer recruitment, taking advantage of our less fortunate competitors." and "You can't be a small player, and you can't be in the middle." Over the years, the national banking industry has become the antithesis of the small business success story, and it is now trying to take over one of the best examples of competitive small business markets in America today- the Real Estate industry.

I must stress, this consolidation and expansion is not driven by your average local bank employee, whom I have found to be professional, courteous and attentive. It is driven by national banking interests and banking executives focused on being acquired by a national bank and rewarded with the perennial "golden parachute." Of course, these are the same interests driving this debate over

the nature of “financial activity” today. The industry as a whole has been focused on expanding their powers, but a clear majority of our colleagues believe that the line must be drawn at clearly commercial activities like real estate brokerage and management.

During consideration of the Gramm-Leach-Bliley Act, Congress voted to clearly maintain this separation. We voted to eliminate the commercial market basket from the bill. In addition, we required any entity formed after enactment of the bill to divest any commercial operations that were part of it within ten years. The purpose of the Community Choice in Real Estate Act bill is to once again clarify, for all of those involved in this debate, that it was Congress’ intent that banking and commerce remain separate.

Bankers knew then that they couldn’t have obtained real estate powers from Congress. So they are now attempting to gain these powers from their regulators. It is our duty to assert Congressional authority over this matter. To quote Congressman Leach in his opening remarks during the debate on H.R. 10,

“As we all know, there are complex issues involved in this legislation, and there will be differing judgments by Members. One thing we all may agree upon, however, is that Congress needs to reassert its Constitutional role in determining what should be the laws governing financial services, instead of allowing the regulators and courts to usurp this responsibility.”

It is time to stop this blatant end-run around Congressional intent. If the national banks will not withdraw their ill-considered petition, then it is time to pass the Community Choice in Real Estate Act.

I’m glad that you have given us an opportunity to have this debate here today Mr. Chairman, and I appreciate your consideration of this bill.